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**SACRAMENTO MAN PLEADS GUILTY IN \$8 MILLION
INVESTMENT FRAUD SCHEME**

SACRAMENTO-- United States Attorney McGregor W. Scott announced that MICHAEL F. EGAN, 62, of Sacramento, pleaded guilty before U.S. District Court Judge David F. Levi today to one count of mail fraud and one count of filing a false income tax return in connection with an investment fraud scheme that took in over \$8 million from victim investors. A jury trial in the case had been scheduled to commence later this month.

The case was investigated by the Federal Bureau of Investigation and the Internal Revenue Service--Criminal Investigations.

According to Assistant United States Attorneys Benjamin B. Wagner and Philip A. Ferrari, who are prosecuting the case, EGAN admitted in his plea agreement that he had perpetrated the fraud scheme through an entity named Philanthropic Charities, Inc., and other entities in California and the Bahamas with similar names. EGAN told potential investors that they could earn high rates of return through investing in private annuity contracts with Philanthropic Charities, or in "donor-advised accounts," which he represented were risk-free. In fact, large amounts of the investors' funds were routed back to EGAN himself through bank accounts in the Bahamas, or routed to others who helped EGAN promote the fraud scheme. EGAN admitted that he caused account statements to be sent to investors which falsely reported that the investments were earning high returns. He also used some of the investors' own funds to make interest or annuity payments back to the investors. Beginning in about 1999, when he was unable to make payments to investors, EGAN made numerous various false statements to investors about the reasons for the delays. In 2002, after a federal search warrant was executed at his home in Shingle Springs, California, Egan fled to South Carolina, where he was arrested in December, 2003. EGAN will be subject to a court order requiring full restitution to the victims in this case.

With respect to the charge of filing a false income tax return, EGAN admitted that in October 1999, he filed a U.S. Individual Income Tax Return on Form 1040 for the year 1998 that falsely reported taxable income of only \$4,293. In fact, EGAN's taxable income was substantially higher, and he had receipts of at least \$279,000 from the Philanthropic Charities investment program. He is required by the plea agreement to file corrected federal tax returns for the years 1998 and 1999.

Two other persons who served as brokers for the Philanthropic Charities investment program have already pleaded guilty to felonies. LARRY T. BALENTINE, 67, of Salinas, California, pleaded guilty in U.S. District Court on October 23, 2003, to charges of aiding and abetting mail fraud, and money laundering in connection with his conduct as a broker for Philanthropic Charities. RANDALL ALAN HUFFMAN, 44, of Morgan Hill, California, pleaded guilty in U.S. District Court on December 4, 2003 to a charge of misprision of a felony. Both are awaiting sentencing.

EGAN is scheduled to be sentenced before Judge Levi on January 11, 2007.

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